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## **CAPITAL REGION DEVELOPMENT AUTHORITY**

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### **QUESTIONS**

Describe the relationship between the Capital Region Development Authority (CRDA), the State of Connecticut, the City of Hartford and the entities and projects CRDA oversees. How is CRDA funded?

### **SUMMARY**

The legislature established the quasi-public Capital City Economic Development Authority (CCEDA) in 1998 to plan, manage, and oversee a group of Hartford redevelopment projects. In 2012, the legislature renamed CCEDA as the Capital Region Development Authority (CRDA), transferred CCEDA's powers to CRDA, and expanded its charge and jurisdiction to include Hartford and the seven surrounding towns.

CRDA plays a role in development projects primarily in Hartford, but also in East Hartford and most recently New Haven. It oversees, through contracts with operators, the Connecticut Convention Center, XL Center (which it leases from the City of Hartford), and Rentschler Field football stadium in East Hartford. It manages a central heating and cooling plant serving entities in Adriaen's Landing (a development district on the Hartford riverfront) and several parking garages in the district. Additionally, CRDA manages (1) the development of the Front Street entertainment and retail district in Adriaen's Landing, (2) housing development, and (3) the relocation of certain state offices. CRDA also purchased the rights to the New Haven Open tennis tournament in 2013.

CRDA, its projects, and the entities it oversees are funded in various ways. CRDA receives operating grants from the state for its own operation and the operation of entities it oversees. It also collects revenue from entities it oversees, including parking fees, ticket sales, food and beverage sales, and facility rental fees that it uses to pay for a portion of operating expenses or, in the case of Rentschler Field, cover them entirely.

Many of these development projects have received state general obligation (GO) bond funds. CRDA has also issued its own revenue bonds and in one case taken out a private loan to cover project expenses. As allowed by state law, CRDA has entered into a contract assistance agreement with the state under which the state pays CRDA an amount equal to the annual debt service on outstanding revenue bonds issued to finance the convention center. CRDA is required to reimburse the state for any assistance it receives.

Unless noted otherwise, the information in this report comes from CRDA's [website](#), its [2012-13 annual report](#), and the [FY 2011-12 audit report](#) from Auditors of Public Accounts.

## **BACKGROUND**

In 1998, the legislature established the quasi-public CCEDA, the precursor of CRDA, to plan, manage, and oversee a group of Hartford development projects. CCEDA oversaw the completion of several of these projects, including the construction of the Connecticut Convention Center, and fulfilled its other duties, which included advising state agencies on development projects proposed in the district ([2008-R-0592](#)).

[Public Act 12-147](#) renamed CCEDA as CRDA, transferred the powers of CCEDA to CRDA, expanded its jurisdiction, and replaced the CCEDA board with a new 13-member board of directors. CRDA's board now consists of the Hartford and East Hartford mayors, the Office of Policy and Management (OPM) secretary, the economic and community development commissioner, the transportation commissioner, plus the following eight appointed members shown with the appointing authority:

1. governor (four appointments),
2. Hartford mayor (two appointments),
3. House speaker and Senate president pro tempore (one joint appointment), and
4. House and Senate minority leaders (one joint appointment).

More specifically, the act (1) designated Hartford and its seven contiguous towns as the Capital Region; (2) expanded the project planning, monitoring, and evaluation duties transferred from CCEDA to CRDA; and (3) assigned additional duties to CRDA that differed from those assigned to CCEDA, including managing facilities and promoting tourism.

By law, CRDA's charge is to:

1. stimulate new investment and provide for multicultural destinations and a vibrant multidimensional downtown;
2. attract major trade shows, conventions, exhibitions, and other events;
3. encourage residential housing development;
4. operate, maintain, and market the Connecticut Convention Center;
5. stimulate family-oriented tourism, art, culture, history, education, and entertainment;
6. manage designated facilities through contracts and other legal instruments;
7. stimulate economic development in the Capital Region;
8. assist with the development and redevelopment of property in Hartford; and
9. facilitate, upon the request of the OPM secretary, the relocation of the area state office buildings ([CGS § 32-602](#)).

Among other things, CRDA is authorized to enter into contracts; issue bonds, bond anticipation notes, and other obligations in any principal amount necessary to provide sufficient funds for carrying out its purpose (with approval of the State Bond Commission); borrow money; and acquire, lease, and dispose of personal property. Obligations of the authority are not deemed to constitute obligations of the state ([CGS §§ 32-602 & 32-607](#)).

## **CRDA PROJECTS AND FACILITIES**

CRDA plays a role in development projects in Hartford, East Hartford, and now with the purchase of the tennis tournament, New Haven. It oversees the operations of three major venues in the region: the Connecticut Convention Center, the XL Center, and Rentschler Field (more detail on these is provided below).

In addition to overseeing these facilities, CRDA provides services to entities located in Adriaen's Landing, a development district anchored by the convention center that includes the Front Street District, housing projects, and the Connecticut Science Center, which is owned and operated by a nonprofit organization. It manages and maintains a central utility plant (CUP) located in the Connecticut Convention Center that provides Adriaen's Landing with a centralized source of heating and cooling.

CRDA also manages several parking garages through a contract with LAZ parking. These garages, including the Front Street and Connecticut Science Center garages, have nearly 3,800 parking spots that serve the district.

Table 1 lists CRDA's major projects and facilities, along with the location, owner, CRDA's role, and operator of the facility or project. According to CRDA, which provided ownership information, the state owns almost all of the land in Adriaen's Landing (Travelers Indemnity Company owns a small portion of the Front Street District which it leases to the state) and leases it to CRDA. CRDA owns most of the structures that occupy the land it leases from the state.

**Table 1: CRDA's Major Projects and Facilities**

<i><b>Project or Facility</b></i>	<i><b>Location</b></i>	<i><b>Owner</b></i>	<i><b>CRDA's role</b></i>	<i><b>Operator under contract with CRDA</b></i>
<b>Convention Center and Parking Garage</b>	Hartford	CRDA*	<ul style="list-style-type: none"> <li>• Oversaw original construction</li> <li>• Currently oversees management and marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Waterford Management Group (center)</li> <li>• LAZ Parking (garage)</li> </ul>
<b>XL Center</b>	Hartford	City of Hartford	<ul style="list-style-type: none"> <li>• Leases from city</li> <li>• Oversees management and marketing</li> </ul>	Global Spectrum
<b>Rentschler Field and Parking Spaces</b>	East Hartford	OPM	Oversees management and marketing	<ul style="list-style-type: none"> <li>• Global Spectrum (stadium)</li> <li>• LAZ Parking (parking spaces)</li> </ul>
<b>Central Utility Plant (CUP)</b>	Hartford	CRDA*	<ul style="list-style-type: none"> <li>• Administers energy sharing agreement with Science Center, Hartford Marriott, and Convention Center</li> <li>• Manages and maintains plant using consultants</li> </ul>	New England Mechanical Services
<b>Connecticut Science Center and Parking Garage</b>	Hartford	<ul style="list-style-type: none"> <li>• Connecticut Science Center owns building*</li> <li>• CRDA owns garage*</li> </ul>	<ul style="list-style-type: none"> <li>• Oversees parking garage management</li> <li>• Authorized to assist the center in financial and construction management (CGA § 32-602a)</li> </ul>	LAZ Parking (garage)
<b>Front Street District and Parking Garages</b>	Hartford	CRDA*	<ul style="list-style-type: none"> <li>• Works to attract entertainment and retail tenants and fund tenant fit outs</li> <li>• Partially funded construction of apartments</li> </ul>	<ul style="list-style-type: none"> <li>• HB Nitkin (developer)</li> <li>• LAZ Parking (garages)</li> </ul>
<b>Connecticut (formerly New Haven) Open tennis tournament</b>	New Haven	CRDA purchased tournament rights	Advises operator on facilities and events management	Tennis Foundation of Connecticut licenses the tournament

\*The state owns the land under these facilities or buildings; Travelers owns a small portion of Front Street which it leases to the state (which then subleases the land to CRDA)

### ***Connecticut Convention Center***

CRDA's charge, with respect to the convention center, was first to construct, and now to maintain and effectively market the project. It oversees the convention center's operations by contracting with Waterford Management Group to manage the center (Waterford also developed and owns the Hartford Marriott hotel that is immediately adjacent to the convention center). The state provides an annual appropriation to cover operating expenses (\$4.4 million in FY 2013), and the center receives revenue from renting its facilities for conventions and other events, providing event services, and food and beverage sales.

### ***XL Center***

The XL Center is owned by the City of Hartford and leased to CRDA, which is charged with operating the facility. Previously, CRDA held a contract with AEG Facilities for the management of the facility. In 2013, CRDA renegotiated and signed a 10-year lease agreement with the city and entered into a contract with Global Spectrum to operate the facility. According to the lease agreement, net operating income at the close of the fiscal year is to flow to the city as a lease payment, supplemented in the first two years by a state grant.

According to CRDA, those who wish to use the XL center to hold an event, including UConn, must pay to lease the venue for the event. The different sources of revenue from the event (ticket sales, concessions, merchandise, etc.) are then divided up according to an agreement specific to the individual event.

### ***Rentschler Field***

Under a memorandum of understanding that OPM initiated in 2013, Rentschler Field operating responsibilities were formally transferred to CRDA from OPM. CRDA entered into a contract with Global Spectrum (which also operates the XL Center) to operate the stadium. In its annual report, CRDA states that having the XL Center and Rentschler Field under one management company allows for "shared management, marketing and operations, and as a consequence, greater economies to the state."

The stadium is primarily used for UConn football games. According to CRDA, UConn leases the facility from CRDA on game days. UConn keeps revenues from ticket sales, merchandise sales, and sponsorship, and the stadium keeps concession and parking revenues. If concession and parking revenues do not cover all operating expenses, CRDA may charge UConn to make up the difference. Other events occasionally take place at the stadium, and there are separate agreements for these events that are crafted so CRDA does not lose money.

### ***Central Utility Plant (CUP)***

The CUP is located in the convention center and provides most of the heating and cooling for certain buildings in Adriaen's Landing. CRDA manages and maintains the CUP through consultants, New England Mechanical Services. The CUP is governed by an energy sharing agreement, administered by CRDA, between the convention center, Marriott Hotel, and the Connecticut Science Center. Each party is required to fund a certain portion of CUP's operations, debt service, and capital needs in exchange for heating and cooling the respective facilities. It has an annual budget of \$3.1 million.

### ***Front Street District***

The [Front Street District](#) is the final phase of the Adriaen's Landing development project. When completed, the district will include 150,000 square feet of restaurant, entertainment, and retail space. The district will also include market rate housing above the street-level commercial space. The HB Nitkin Group is the developer of the district under contract with CRDA. CRDA provided public and private grant money to customize space for tenants and for other needs in the district. It also oversaw the construction of the two parking garages that serve this area and currently have entered into contracts with LAZ parking for LAZ to operate them.

### ***Connecticut Open Tennis Tournament***

In October 2013, CRDA purchased the rights to the New Haven Open for \$618,000 and became the owner of the renamed Connecticut Open tennis tournament. Previously, the United States Tennis Association owned the tournament rights and licensed the rights to Connecticut Professional Tennis. Currently, CRDA licenses the tournament rights to the Tennis Foundation of Connecticut, who is now the nonprofit operator of the tournament. CRDA is involved in tournament operations in an advisory role.

## **OTHER CRDA PROJECTS AND ACTIVITIES**

### ***Housing Projects***

CRDA has invested in housing projects in downtown Hartford as well as other parts of the city. In FY 2012, the state granted CRDA \$60 million to develop housing in downtown Hartford in order to, according to CRDA's annual report, "create a new market in the city's core in order to sustain over the long term retail, entertainment, and restaurant investments." CRDA seeks projects that are 80% market rate and 20% affordable housing and requires private lending or equity contributions to be part of the projects it funds.

Instead of grants for housing projects, CRDA makes long term loans or equity investments backed by future revenues. CRDA seeks to fill in funding gaps in housing projects that may not otherwise obtain private funding. It also seeks projects that would convert commercial buildings, which are no longer desirable, into rental housing.

### ***Relocation of State Offices***

The state has initiated a plan to purchase additional buildings in downtown Hartford and relocate nearly 3,300 employees to these facilities. Recently, the state purchased an office building and parking garage at 55 Farmington Avenue, and CRDA entered into a memorandum of understanding with OPM to manage the redesign and reconstruction of the building to accommodate state agencies. CRDA will continue to provide this type of assistance as the state acquires additional facilities.

### ***Town Projects Outside Hartford and East Hartford***

CRDA, unlike the previous CCEDA, is a regional agency intended to provide assistance to the surrounding municipalities at their request. CRDA can, in this role, administer state agency or federal funds that become available for economic development and assist municipal officials with legal, accounting, and construction management needs. Because its role as a regional organization is relatively new, CRDA is currently assisting with only one project of this type, a brownfield development project in Newington.

## **CRDA FUNDING**

CRDA, its projects, and the entities it operates are funded by a combination of (1) grants from public and private sources, (2) revenue from entities it operates, (3) bond funds, and (4) loans.

### ***Grants***

CRDA receives an annual state grant through DECD. In FY 14, it received \$6.17 million for operating expenses and an additional \$3 million for the new lease for the XL Center. For FY 15, the state budget provides approximately \$7.0 million to CRDA for operating expenses and \$1.5 million for the XL Center lease payment (the remaining \$1.5 million is presumably expected to come from event revenue). The annual grant covers CRDA's own operating expenses (just under \$1 million for FY 13) and those of the entities it oversees.

In addition to state grants, CRDA receives grants from private sources from time to time. For example, in FY 11 it received a \$5 million grant from ESPN and the Disney Corporation to develop the Front Street District.

### ***Operations Revenue***

Revenue from facilities operations in FY 13, according to CRDA's annual report, totaled approximately \$18 million. These funds included parking fees, CUP energy fees, food and beverage sales, and facility rental fees. As noted above, Rentschler Field is self-supporting through revenue.

### ***Bonds***

CRDA receives funding for development projects from state GO bonds and its own revenue bonds ([CGS § 32-607](#)). CRDA's total of nearly \$437 million in bond proceeds for the Adriaen's Landing development project breaks down as follows: (1) \$327 million in state GO bonds and (2) \$110 million in CRDA parking and CUP revenue bonds.

Additionally, the legislature authorized bonds for housing development in downtown Hartford (\$60 million) in 2012, improvements to Rentschler Field (\$3 million) in 2013, and improvements to the XL Center (\$35 million) in 2013.

### ***Loans***

State law authorizes CRDA to borrow money for project funds ([CGS § 32-602\(d\)](#)). In 2008, CRDA entered into a loan agreement with the Travelers Indemnity Company to borrow up to \$12.5 million. This loan is secured by parking revenue under a separate contract CRDA has with Travelers.

## **STATE CONTRACT ASSISTANCE AGREEMENT**

As authorized by law, the state and CRDA entered into a contract assistance agreement under which the state pays CRDA an amount equal to the annual debt service CRDA owes on the outstanding revenue bonds issued to finance the convention center including the convention center garage and related facilities ([CGS § 32-608](#)). CRDA must reimburse the state for this assistance with parking and CUP energy fee revenues. As of June 30, 2012, CRDA owes the state \$23.2 million in contract assistance.

CRDA is in the process of paying the state back for assistance it received under this agreement. As stated in the assistance agreement, upon completion of the convention center, CRDA is required to establish fees and charges so that pledged parking and CUP energy revenues, after payment of operating expenses, are equal



to 1.2 times the annual debt service on outstanding bonds. The convention center project is not considered completed. Therefore, as long as CRDA makes payments, its failure to meet this requirement is not considered a breach of the agreement, according to CRDA's annual report.

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